

Medicaid Memorial

Background

Medicaid is broken—unable to guarantee access, unable to assure quality, and always growing more costly. In the 2010 session, the House developed a plan based on expert advice and extensive input from providers and other stakeholders. The plan called for a transformation of the Medicaid program into a statewide integrated care program for all participants and all services. The plan adjusted previous reform efforts to improve accountability and help participants find the services they need.

Moving forward, it is important to clearly identify the direction for reforming Florida's Medicaid Program. The memorial that will be built on clear principles and will address the impact of federal health reform on state Medicaid programs.

- Medicaid is a federal and state partnership. States have limited flexibility in designing their programs.
- Medicaid in Florida is a complex system of eligibility groups, financing, and models of service delivery. The program is a patchwork of fee-for-service and managed care programs, including 20 “pilot” waiver programs. Decades of carve-outs, regional accommodations and vendor projects complicate matters.
- Quick Facts:
 - 2.9 million recipients.
 - \$20 billion appropriated in Fiscal Year 2010-11.
 - \$6,770 estimated per recipient spending in Fiscal Year 2010-11.
 - Over half the childbirths in Florida are paid for by the Medicaid program.
 - 1.8 million recipients are enrolled in some type of managed care.
 - 23 managed care organizations, including 16 HMOs and 7 PSNs.

Problem

Medicaid in Florida is broken. The impact of federal health care reform makes the need for improvement even more urgent.

- **Access:** Many patients have trouble accessing specialty care and may have to travel long distances to see a physician. Payments in fee-for-service Medicaid are lower than other payers and many physicians choose not to participate. In such fragmented environments, no one is held accountable for failures and no one is responsible for solutions.
- **Quality:** Quality of services is uneven, and there is little incentive for ongoing improvement.
- **Cost:** The program's caseload and expenditures have grown significantly over its history. Federal health care reforms will increase Medicaid enrollment and costs.
 - In 1999, Medicaid cost \$7.4 billion, or 17.8% of the state budget.
 - In 2010, Medicaid will cost \$20 billion, or 28.4% of the state budget.
 - In 2014, Medicaid is projected to cost \$29.6 billion, or 33.2% of the state budget.
 - With federal health care reform, Medicaid will grow to nearly 5 million recipients, and cost the state an additional \$1.4 billion per year when fully implemented.
- **Fraud and Abuse:** The fee-for-service model leaves the risk of fraud and abuse with the state. Prevention is difficult - the state has little ability to limit its provider network, and must directly

manage over 80,000 provider contracts. Florida Medicaid often defaults to a “pay-and-chase” model.

Solution

Building on Past Successes – Medicaid Reform Pilot Program

Florida’s 5-year reform pilot program generated some successes and identified some areas for improvement.

Successes:

- More plans in reform showed improvement in patient care quality than plans in the non-reform areas
- Managed care plans in reform helped patients avoid hospitalization, reducing the cost of caring for previously unmanaged populations
- Patient satisfaction did not decline
- More patients chose their plan than in non-reform areas

Areas for Improvement:

- Recipients sometimes have difficulty accessing accurate provider and benefits information. Improving plan reporting and data access mechanisms could empower patients more.
- As plans leave the reform areas and new plans take over, transitions are difficult. Limiting the number of plans and revising rate-setting could improve stability.

Principles for Statewide Reform

Florida must build on the prior successes of the reform pilot program, and make changes necessary to address problems. With that in mind, these principles will guide the Legislature:

- **State flexibility** with regard to federal restrictions is necessary
- **Simplification** of the whole program will improve ease of administration
- A **consistent framework** that minimizes provider carve-outs and special consideration of one group over another maximizes fairness
- **Competition and innovation** create an environment of continuous improvement
- **Managed care** holds the most promise for better patient outcomes and more sustainable growth
- **Fully integrated care** has been proven to produce good health outcomes
- **Plan accountability** – strong contract management, patient outcome measurement and proper incentives and disincentives – is essential for good performance
- **Fiscal accountability** – prudent purchasing will ensure value, and payment systems which impose proper incentives and disincentives will create a more sustainable growth rate
- **Patient centered care** – including customized benefits packages and plan choice – is a priority.
- **Personal responsibility** for health is a primary goal, and reforms should reward healthy behaviors
- **Empowering patients** to use Medicaid funds to purchase other forms of health coverage increases choice and patient dignity